Market Update

July 2026

As we move into the second half of 2026, global markets are navigating a mix of easing inflation, slower economic growth, and ongoing uncertainty. Some areas of the market are still performing well, while others remain under pressure from interest rates, energy prices, and geopolitical events.

Understanding these trends can help you make more informed financial decisions and stay focused on your long-term plan.

Global economy: Inflation relief, but slower growth

The global economy continues to grow, but the pace is uneven. Lower energy prices have helped ease inflation in some regions, but growth is slowing in major economies such as the United States and China.

Interest rates, energy costs, and global political tensions remain important factors influencing markets and investor confidence.

United States: Inflation eases, but growth slows

The US saw encouraging inflation news in July, with consumer prices falling more than expected. Lower energy prices helped reduce inflation, offering some relief after earlier price increases.

The annual inflation rate eased to 3.5%, while underlying inflation, which excludes food and energy prices, remained more stable.

The US economy is still supported by:

- Strong consumer spending
- Continued investment in technology and artificial intelligence
- Business investment
- Government spending

However, economic growth slowed in the second quarter, and the US Federal Reserve is still focused on bringing inflation closer to its target. This means interest rates may remain higher for longer.

What this means for you:

Lower inflation is positive, but higher interest rates can still affect global markets, borrowing costs, and investment returns. Investors should expect markets to remain sensitive to interest rate decisions.

China: Growth under pressure

China’s economy had a more difficult month in July. Factory activity contracted for the first time since February, pointing to weaker demand at home and some pressure on exports.

The slowdown was not limited to manufacturing. Construction, services, and broader business activity also weakened during the month.

China’s economy grew by 4.3% year-on-year in the second quarter, its slowest pace in more than three years. Policymakers have acknowledged the challenges and signalled that more support may be introduced to help growth in the second half of the year.

What this means for you:

China remains important to global growth and trade. Slower growth there can affect emerging markets, commodity demand, and investor confidence, especially in regions closely linked to global trade.

Europe: Resilient, but energy risks remain

The eurozone economy remained reasonably resilient, supported by stronger-than-expected economic growth in the second quarter. However, inflation increased slightly in July.

Higher energy prices were one of the main reasons for the increase. Inflation also differed across countries, showing that some parts of Europe are experiencing more pressure than others.

What this means for you:

Europe continues to play a stabilising role in the global economy, but higher energy prices remain a key risk. Any sharp increase in oil or gas prices could place renewed pressure on growth and markets.

South Africa: Inflation rises, rates stay unchanged

South Africa's inflation rose to 5.0% in June, its highest level in two years. The increase was mainly driven by higher fuel and transport costs.

- Transport was the biggest contributor to the increase, with higher prices for fuel, taxis, e-hailing services, long-distance buses, and school transport all adding pressure.
- Despite higher inflation, the South African Reserve Bank kept the repo rate unchanged at 7% at its July meeting. This surprised many analysts, who had expected an increase.
- The Reserve Bank remains cautious and is watching risks such as higher oil prices, food inflation, and global instability.

What this means for you:

Higher fuel and transport costs may affect household budgets. At the same time, stable interest rates provide some relief for borrowers, although future rate decisions will depend on inflation and economic conditions.

Markets: A mixed but positive month

Markets delivered mixed results in July as investors balanced improving inflation news with concerns about slower growth and interest rates.

Global markets

Global shares ended the month higher overall, helped by strength in technology-related companies, especially semiconductor businesses.

However, emerging market shares came under pressure, while global bonds remained weak. Global property investments performed well during the month.

Domestic markets

South African shares ended July higher, with the FTSE/JSE All Share Index gaining ground in rand terms.

Local market performance was supported by:

- Industrial shares
- Property shares
- Financial shares

A recovery in resource shares after a difficult June

Local bonds were mixed. Shorter-term bonds delivered positive returns, while longer-term bonds came under pressure. The rand weakened against the US dollar, euro, and pound sterling during the month.

What this means for you:

Market ups and downs are normal, especially when investors are responding to changing inflation, interest rate, and growth expectations. A diversified investment plan remains important for managing risk.

Key takeaways for investors

- Inflation is easing in some parts of the world, but risks remain.
- US growth is slowing, even though consumers and technology investment remain supportive.
- China's economy is under pressure, which may affect emerging markets and global trade.
- Europe remains resilient, but energy prices are still a key risk.
- South African inflation has risen, mainly because of fuel and transport costs.
- The South African Reserve Bank kept interest rates unchanged in July.
- Markets remain mixed, making diversification important.

Why this matters for your financial plan

Economic conditions can change quickly, and markets often react to new information about inflation, interest rates, growth, and global events.

While short-term uncertainty can feel unsettling, it is a normal part of investing. Staying focused on your long-term goals and maintaining a well-diversified investment plan can help you remain on track through changing market conditions.

If you are unsure how recent market developments may affect your portfolio, speak to your financial adviser before making any changes.

for your future